

Message Text

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ACTION ARA-10

INFO OCT-01 SS-14 ISO-00 ARAE-00 SSO-00 NSCE-00 INRE-00

EB-03 OMB-01 TRSE-00 COME-00 CIEP-01 NSC-07 L-02

CIAE-00 INR-10 NSAE-00 RSC-01 FRB-01 XMB-01 SP-02

INT-01 FEA-01 DRC-01 /057 W
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O R 121000Z JUL 74

FM AMEMBASSY PORT OF SPAIN

TO SECSTATE WASHDC IMMEDIATE 6648

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

C O N F I D E N T I A L SECTION 1 OF 2 PORT OF SPAIN 1659

LIMDIS

E.O. 11652: GDS

TAGS: EFIN ENRG EIND TD

SUBJECT: GOTT OUTLINES FINANCING SOUGHT FOR INDUSTRIAL DEVELOPMENT

REF: POS 1551; POS 1534

SUMMARY. GOVERNMENT OF TRINIDAD AND TOBAGO HAS PROVIDED LOCAL BANKERS WITH AN OUTLINE OF FINANCING NEEDED TO IMPLEMENT PROPOSED ENERGY-RELATED INDUSTRIAL DEVELOPMENT PROJECTS OVER THE 1974-80 PERIOD. ALTHOUGH ALL OR PART OF THIS INFORMATION IS DOUBTLESS BEING MADE AVAILABLE TO FOREIGN GOVERNMENTS AND INTERNATIONAL FINANCIAL INSTITUTIONS DURING THE CURRENT TRIP TO EUROPE AND THE US BY PM WILLIAMS AND FINANCE MINISTER CHAMBERS (REFTELS), DETAILS CONTAINED HEREIN ARE TIGHTLY HELD BY GOTT AND MUST BE TREATED AS CONFIDENTIAL. (EMBASSY WILL SEND AN UNCLASSIFIED SUMMARY OF PUBLISHED PROJECTS BY AIRGRAM FOR USE IN BRIEFING INTERESTED BUSINESSMEN.) WHILE THE GOTT'S INITIAL ESTIMATED REQUIREMENTS (COVERING 18 MONTHS THROUGH DECEMBER 1975) TOTAL \$500 MILLION, FINANCIAL NEEDS OVER THE NEAR AND MEDIUM TERM
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ARE ESTIMATED AT A STAGGERING \$3 - 4 BILLION, MOST OF WHICH THE GOTT HOPES TO RAISE FROM FOREIGN GOVERNMENT EXPORT CREDIT

ORGANIZATIONS (SUCH AS EXIM BANK), IFI'S, AND COMMERCIAL BANKS. MOST OF THE FUNDS ARE DESTINED FOR A WIDE RANGE OF INDUSTRIAL PROJECTS, BUT ALSO INCLUDED IN THE GOTT'S LIST ARE \$30 MILLION TO PURCHASE THE COMPLETE ASSETS OF SHELL TRINIDAD LTD., AS WELL AS UNSPECIFIED AMOUNTS TO ACQUIRE HOLDINGS IN TEXACO AND AMOCO, THE OTHER MAJOR PETROLEUM OPERATIONS IN TRINIDAD. END SUMMARY

1. FINANCE MINISTER GEORGE CHAMBERS CALLED REPRESENTATIVES OF COMMERCIAL BANKS OPERATING IN TRINIDAD TOGETHER EVENING OF JUNE 28, AND PRESENTED THEM WITH A DETAILED OUTLINE OF GOTT'S ANTICIPATED REQUIREMENTS FOR THE NATURAL GAS-BASED INDUSTRIAL PROJECTS NOW UNDER CONSIDERATION. ACCORDING TO THE PRESENTATION MADE BY CHAMBERS AND HIS STAFF, WITHIN THE NEXT 18 MONTHS THE GOTT IS SEEKING \$500 MILLION OF FINANCING FOR THE FOLLOWING:

PROJECT	AMOUNT	DATE NEEDED
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A. PURCHASE ASSETS OF SHELL TRINIDAD	\$30 MILLION	JULY 1974
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B. GOTT-TEXACO PETROCHEMICALS PLANT (FIRST STATE) (DESIRED FINANCING: 45 PERCENT EXIM BANK, 45 PERCENT COMM- ERCIAL BANKS, 10 PERCENT FOR THE TWO PARTNERS)	\$50 MILLION	SEPT 1974
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C. T&T ELECTRICITY COMMISSION GAS- FIRED POWER PLANT AT POINT LISAS (\$10 MILLION FROM COMMERCIAL BANKS, REMAINDER FROM SUPPLIERS OR GOVT. LENDERS)	\$50 MILLION	JANUARY 1975
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D. CROSS-TRINIDAD NATURAL GAS PIPE- LINE (50 PERCENT FROM COMMERCIAL BANKS; 50 PERCENT FROM OTHER SOURCES)	\$25 MILLION	MARCH 1975
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E. JOINT GOTT-W.R. GRACE AMMONIA PLANT (DESIRED FINONCING: \$18 MILLION FROM EXIM BANK; \$11.5 MILLION FROM THE PRIVATE EXPORT FINANCING CO; CONFIDENTIAL CONFIDENTIAL		
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\$11.5 MILLION FROM COMMERICAL BANKS; AND \$14 MILLION PUT UP BY THE TWO PARTNERS)	\$55 MILLION	MARCH 1975
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F. GOTT-TEXACO PETROCHEMICALS PLANT (SECOND STATE) (SAME FINANCING AS FOR FIRST STAGE)	\$120 MILLION	DECEMBER 1975
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G. FEASIBILITY STUDIES AND PRELIMINARY WORK ON THREE OTHER MAJOR PROJECTS:		
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AN ALUMINUM SMELTER, A SHIPPING
COMPANY, AND A STEEL PLANT. \$170 MILLION DECEMBER 1975

2. DURING THE 1976-80 PERIOD, THE GOTT WILL BE SEEKING AN
ADDITIONAL \$2.5 - 3.5 BILLION, TO FINANCE THE FOLLOWING
PROJECTS: COMPLETION OF THE JOINT VENTURE ALUMINUM SMELTER TO
BE BUILT BY THE GOVERNMENTS OF GUYANA, JAMAICA AND TRINIDAD;
IMPLEMENTATION OF THE SHIPPING COMPANY PROJECT, AND CONSTRUCTION
OF A STEEL MILL. NEXT WOULD COME AN ADDITIONAL AMMONIA PLANT,
FOR WHICH PROPOSALS ARE NOW UNDER CONSIDERATION FROM W. R. GRACE,
KAISER CHEMICALS, AND A WEST GERMAN FIRM. OTHER PROJECTS FOR
WHICH THIS FINANCING IS SOUGHT INCLUDE A FURFURAL PLANT, A GLASS
MANUFACTURING COMPLEX, A CEMENT PLANT, ANOTHER PETROCHEMICALS
COMPLEX (PURPORTEDLY WITH WEST GERMAN PARTICIPATION), A
METAL INDUSTRIES COMPLEX, A SECOND ALUMINUM SMELTER, A "BID RE.
TEXACO ACQUISITION," A JOINT-VENTURE ALUMINUM SMELTER TO BE
BUILT IN GUYANA, AND FINALLY "PARTICIPATION IN AMOCO AND
ASSOCIATED INFRASTRUCTURE PROJECTS."

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ACTION ARA-10

INFO OCT-01 SS-14 ISO-00 ARAE-00 SSO-00 NSCE-00 NSC-07

INRE-00 EB-03 OMB-01 TRSE-00 CIEP-01 L-02 FRB-01

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C O N F I D E N T I A L SECTION 2 OF 2 PORT OF SPAIN 1659

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3. COMMENT: ALTHOUGH THE MAGNITUDE OF THESE PROJECTS IS

OVERWHELMING (AND MAY PROVE TO BE OVERAMBITIOUS AS WELL), WE HAVE NO REASON TO DOUBT THAT THE GOTT IS SERIOUSLY CONSIDERING PROPOSALS OF THE SCOPE OUTLINED ABOVE. THE PROJECTS IN PARAGRAPH 1 ARE INTER-RELATED AND PLANS ARE ALREADY BEING MADE SO THAT THE POWER PLANT, THE AMMONIA PLANT AND THE FIRST STAGE PETROCHEMICALS PLANT COULD GO ON STREAM SIMULTANEOUSLY WITH THE COMPLETION OF THE PIPELINE. WE UNDERSTAND THAT LOCAL COMMERCIAL BANKERS HAVE EXPRESSED WILLINGNESS TO PROVIDE THE \$140 MILLION DESIRED FROM THEM, IF THE GOTT AND/OR ITS PARTNERS CAN COME UP WITH THE REMAINDER OF THE FINANCING, AND SUBJECT TO FAULTLESS FEASIBILITY STUDIES.

4. WE SEE NO PARTICULAR DANGER SIGNALS IN THE REQUESTS FOR FUNDS TO ACQUIRE PARTICIPATION IN THE EXISTING OIL COMPANIES, ALTHOUGH SHELL DOUBTLESS PLACES A HIGHER VALUATION THAT \$30 MILLION ON ITS REFINERY, DISTRIBUTION NETWORK, AND PRODUCING PROPERTIES. TEXACO HAS ALREADY "AGREED IN PRINCIPLE" TO DISCUSS SOME SORT OF GOTT PARTICIPATION, AND THE
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GOTT HAS TOLD AMOCO THAT GOVERNMENT PARTICIPATION IS DESIRED IN ITS NATURAL GAS OPERATIONS. BY ASKING FOR FUNDS, THE GOTT AT LEAST IS SIGNALLING THAT IT PLANS TO PAY FOR ITS PROPOSED PARTICIPATION IN THE REMAINDER OF THE OIL INDUSTRY IN TRINIDAD.

5. IT IS CLEAR THAT THE GOTT IS COUNTING HEAVILY ON FINANCING THROUGH GOVERNMENTAL EXPORT CREDIT FACILITIES, AND GOTT OFFICIALS HAVE RECENTLY EXPRESSED GREAT CONCERN OVER THE PRESENT HIATUS IN EXIM BANK LEGISLATION IN THE US. ACCORDING TO THESE OFFICIALS, ONLY WITH EXIM BANK FINANCING ARE US SOURCES COMPETITIVE WITH JAPANESE OR GERMAN SUPPLIERS OF PETROCHEMICAL EQUIPMENT. IN THIS REGARD, THE EMBASSY STRONGLY URGES FAVORABLE EXIM CONSIDERATION OF REQUESTS FOR FINANCING EQUIPMENT FOR THE PROJECTS LISTED IN PARAGRAPH 1.
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